

MEMORANDUM

To: All Option Members, Member Organizations and ROPs

From: Market Watch

Date: May 17, 2007

**Subject: The Houston Exploration Company (THX) Pending Merger With Forest Oil Corporation (FST)**

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On Tuesday, June 5, 2007, the shareholders of The Houston Exploration Company (THX) will vote to approve the proposed merger with Forest Oil Corporation (FST). Pursuant to the merger terms each THX share will be converted as follows:

Stock Consideration: An amount of all outstanding THX Common shares will be converted into FST Common Shares, subject to proration. Cash will be paid in lieu of fractional FST Common Shares.

Cash Consideration: An amount of all outstanding THX Common shares will be converted into cash, subject to proration.

Within the terms of the merger, THX shareholders may choose one of the following:

**Cash Election: Elect to receive an amount of cash for each THX Common Share; OR**

**Stock Election: Elect to receive an amount of Common Shares for each THX Common Share; OR**

**Mixed Election: Elect to receive a combination of cash and FST Common Shares; OR**

**Non-Election: Register no preference with no respect to cash or FST Common Shares**

All elections will be subject to prorations as described in the Proxy Statement. Electing THX shareholders may receive cash, FST Common Shares or a combination of cash and stock; while non-electing THX shareholders may receive cash, stock or a combination of cash and stock (as described above).

**ELECTION DEADLINE:**

**Elections must be submitted to the Exchange Agent prior to the election deadline, which is 5:00 P.M., New York City Time, Tuesday, June 5, 2007.** THX shares MAY be delivered under "Notices of Guaranteed Delivery", which allows delivery of such shares within three (3) NYSE trading days of submission of the notice. Elections may be made under "Notices of Guaranteed Delivery", on or before the election deadline. Call option holders wishing to participate in the election must exercise their options in advance of the election deadline.

**The merger is ANTICIPATED to become effective on Wednesday, June 6th, 2007.**

*\*\*The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding THX options will be adjusted as follows:

<b>EFFECTIVE DATE:</b>	<b>Option changes are expected to become effective on Thursday, June 7, 2007</b>
<b>SYMBOL(S):</b>	<b>THX becomes HXU</b>
<b>STRIKE PRICE:</b>	No Change
<b>POS/EXERCISE LIMIT:</b>	No Change
<b>MULTIPLIER:</b>	100*(eg., Premium of 1.00 = \$100)
<b>NEW DELIVERABLE:</b>	<b>The deliverable for adjusted HXU options will be based on the merger consideration which accrues to Non-Electing shareholders.</b>

The Houston Exploration Company (THX)  
 (Before 6/7/2007)  
 100 shares THX

			Calls	Puts
THX	JUN	45	FI	RI
THX	JUN	50	FJ	RJ
THX	JUN	55	FK	RK
THX	JUN	60	FL	RL
THX	SEP	45	II	UI
THX	SEP	50	IJ	UJ
THX	SEP	55	IK	UK
THX	SEP	60	IL	UL
THX	DEC	50	LJ	XJ
THX	DEC	55	LK	XK
THX	DEC	60	LL	XL

The Houston Exploration Company (HXU)  
 (Beginning 6/7/2007)  
 (See New Deliverable Above)

			Calls	Puts
HXU	JUN	45	FI	RI
HXU	JUN	50	FJ	RJ
HXU	JUN	55	FK	RK
HXU	JUN	60	FL	RL
HXU	SEP	45	II	UI
HXU	SEP	50	IJ	UJ
HXU	SEP	55	IK	UK
HXU	SEP	60	IL	UL
HXU	DEC	50	LJ	XJ
HXU	DEC	55	LK	XK
HXU	DEC	60	LL	XL

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.